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Nigeria

Product Brief

Rice

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Report Highlights:

In MY2002, Nigeria imported about 1.8 million MT of rice valued at approximately \$500 million. The most popular variety is parboiled long grain rice. Thailand and India are the major suppliers to this market based primarily on price competitiveness. The U.S. was the market leader in Nigeria up to the early 1980's. Under current market conditions, we estimate that U.S. rice can compete for the three percent, high-income segment of the population. According to Nigerian investment law, raw materials can be imported at a concessionary duty rate of five percent. Several firms have been in continuous discussion with the GON to utilize this law to process imported paddy rice. U.S. suppliers should be able to compete in this market to a greater extent if these Nigerian firms obtain the concessions.

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SECTION I: MARKET OVERVIEW

Nigeria was once a leading export destination of U.S. rice during the oil boom era of the 1970's and early 1980's when branded U.S. rice products were household names. U.S. exports to the country, which reached a peak of about 400,000 tons in MY1980, were truncated by an import ban imposed on the product between 1986 and 1995. Following the lifting of the ban, Nigeria switched to less expensive imports from Asian suppliers. Although, recent efforts to re-launch U.S. rice into the market has to date yielded only modest results, U.S. rice does have market potential based on consumers' perception of its high quality. Many Nigerians still remain familiar with U.S. rice from the earlier dates. Following are highlights of Nigeria's market situation:

- ❑ Nigeria's return to democratic rule since 1999 after more than two decades of military rule has ushered some measure of political stability and growth in the economy.
- ❑ Rice is a basic staple food and growth in imports averaged 20 percent since the import ban was lifted in 1995. The variety of ways and convenience of preparing rice has established it as a regular item in the diet of most Nigerians.
- ❑ In MY2002, Nigeria imported approximately 1.8 million tons of rice and was a major import market.
- ❑ Locally produced rice is low quality and is mostly consumed in the rural areas, while the imported product is consumed in the urban areas where incomes are higher.
- ❑ Prior to the ban on rice imports in 1986, Nigeria was the premiere market for US rice. The ban was lifted in 1995 and Nigeria switched to suppliers from Asia. The average Nigerian consumer is looking for very affordable prices.
- ❑ Nigerian consumers view U.S. rice as higher quality compared to Asian products.
- ❑ The market is predominantly parboiled rice. A limited quantity of regular milled white rice is imported for consumers of mashed rice in northern Nigeria.
- ❑ The traditional (open stalls) markets and grain kiosks' account for approximately 95 percent of all rice sales. Some wholesalers are located at these markets. A small quantity of packaged rice is sold in supermarkets and convenience stores.
- ❑ The USDA/FAS office in Lagos – Nigeria has a comprehensive list of importers and will assist new-to-market U.S. rice exporters to establish contacts with Nigerian importers.

Advantages and Challenges:

Advantages	Challenges
Nigeria's large population of more than 120 million grows at 3 percent per annum	Average per capita income is estimated at \$350.
Nigeria is now a democracy and is benefiting from higher oil prices.	US exporters are not "as responsive to the documentation need of Nigerian importers"
The Nigerian consumer's view of U.S. supplies as generally high-quality items.	Freight costs for U.S. rice are at a price disadvantage to Asian rice.
Rice is a basic staple food for most Nigerians and it is prepared and eaten in a variety of ways.	The Nigerian rice market is highly price-sensitive. US rice is priced at a premium above Southeast Asian rice.
Imported parboiled rice competes	GON's tariff on all rice imports is high at 115

effectively against other basic food staples and import volumes have trended upwards in recent years.	percent.
The USDA's GSM-102 and the Supplier Credit Guarantee Programs to Nigeria are available to support US rice sales to Nigeria.	U.S. banks are reluctant to extend credit to Nigeria banks. Importers are afraid to use these programs because of the foreign exchange risks.

SECTION II. MARKET SECTOR OPPORTUNITIES AND CHALLENGES:

a. Domestic Production

At Present, rice is produced in the country largely by resource-poor, subsistence, and small-scale farmers. Production figures available from the GON put Nigeria's domestic rice output in 2002 at approximately 2.2 million tons. The bulk of the locally produced rice is consumed by the farmers and does not enter the market chain. The GON is promoting self-sufficiency in rice production through a subsidy program of basic inputs to farmers, especially improved rice varieties. Despite this policy, however, Nigeria will likely not be able to attain self-sufficiency in rice production for at least six to ten years.

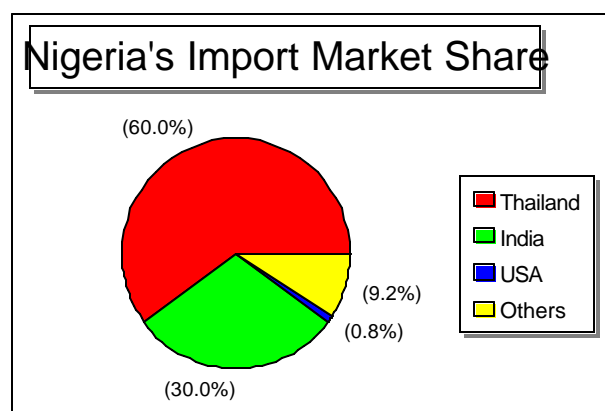
Market Size, Structure, Trends

Basic Rice Data (in MMT unless otherwise stated)

	2001	2002	2003P
Nigeria's total rice Supply	3.9	4.1	3.9
Imports	1.8	1.9	1.6
Local rice production	2.1	2.2	2.3
Per capita rice consumption	30 kg	30 kg	30 kg

Source: Local Industry Sources

Market share of Nigeria's rice market



Source: Local Industry Sources

b. Imports and foreign competition

Approximately 50 percent of Nigeria's rice requirement is satisfied through imports. The rice market is predominantly parboiled long grain rice. Thailand and India are the leading suppliers to the market accounting for approximately 60 percent and 30 percent respectively in MY2002. Asian rice is not only less expensive, but also enjoys export incentives from their

home governments. Nigeria's rice imports in MY2003 are forecast at 1.5 million tons, down from a record two million tons last year. The decline is attributed to the disruption to trade and higher rice prices resulting from a new tariff regime recently implemented by the GON. Overall, Nigeria's rice imports in MY2002 were valued at approximately \$500 million.

Distribution Channels

Rice importers in Nigeria discharge shipments in Lagos and Port Harcourt. Trucks are used to move the rice from the ports to warehouses located in key distribution centers. Major importers have warehouses in key distribution centers of Lagos, Port Harcourt, Aba, Onitsha, Abuja, Kaduna and Kano. Most rice importers use either company-owned trucks or trucks supplied by independent transport companies.

Market Structures

Rice is either imported bulk and bagged upon arrival or pre-bagged in 50 and 25-kilogram bags. Distributors also break bulk into ten kilogram, five kilogram and one kilogram bags for the convenience of consumers. Mini vans are used to convey rice from wholesalers' warehouses to retailers. The bulk of imported rice is sold in the traditional open markets and grain's kiosks, representing approximately 95 Percent of the imported rice retail trade. Supermarkets and convenience stores mostly sell branded rice in retail packs.

Generally, importers are appointed as agents and sole representatives. They sell relatively large quantities to wholesalers who can receive credit up to 60 days.

Retailers buy rice directly from wholesalers. Daleko market is the leading rice market in Lagos. Major importers and distributors have outlets in this market.

Market Entry

Currently, U.S. milled parboiled rice can only compete for a share of the top niche segment of the Nigerian market. U.S. rice exporters are encouraged to collaborate with leading Nigerian importers to boost sales of their products. Promotional activities should target the growing middle to high-income consumers. These segments of market are willing and able to pay for premium quality U.S. rice. Given appropriate marketing support, this market segment can increase commercial import purchases from the U.S. to 100,000 tons annually, up from the current level of less than 1,000 tons within three years. U.S. rice exporters should seek to utilize existing USDA Export Credit Programs, such as the Supplier Credit Guarantee and the GSM-102 Programs in making sales.

Additionally, Post understands from discussions with the local trade that some rice importers are in constant dialogue with the GON, seeking approval to establish rice mills to process imported paddy rice. Under existing Nigeria's investment code, investors may be granted special concession to import paddy rice as a "raw material" at a duty rate of only 5 percent over a 5 year period. The GON favors local value addition to imports of milled rice and may soon grant the import duty concession to some investors. Importers of paddy rice are likely to look to the United States to secure their import supplies. U.S. suppliers are encouraged to collaborate with prospective importers of paddy rice to establish rice mills.

SECTION III. COSTS AND PRICES

The Nigerian rice market is price sensitive. Since this grain is a basic food staple of the masses and because consumer purchasing power is relatively weak, price competition among Nigeria's numerous importers has narrowed profit margins significantly. Nigeria's rice trade is simply a volume business. Following the increase in the import duty on rice in 2002, the average retail price of an imported 50-kilogram bag of rice steadily increased from 3,100 naira in January 2002 to 4,200 naira currently.

Price Mark UP

Thailand Rice	Importer	Wholesaler	Retailer
Average price ration for distribution members (/100)	100	115	120

Import price table/Country

COUNTRY	EXPORT PRICE (CIF Lagos)
Thailand	\$230
India	\$205
USA	\$390

SECTION III. MARKET ACCESS

Regulations

- ❑ The GON agencies must inspect and clear any imported rice consignments prior to their release to the importers.
- ❑ Tariff: The Nigerian Customs Service is GON's agency for import duty collection. Following are the tariffs on all rice products:

Import duty:	100 percent since 2002
Special rice Development levy:	10 percent since January 2003
Port surcharges:	7 percent of import duty
Customs Inspection Service charge	1 percent of FOB
ECOWAS Levy	0.5 percent
NAFDAC Registration	50,000 naira

The effective duty on rice imports is approximately 115 percent.

On March 14, 2003 the import duty and other statutory charges on rice imported from Thailand and India were calculated on a minimum CIF of \$230 per ton and 205 per ton for Thai and India rice respectively. The duty on rice imports from the United States is calculated at a minimum price of \$230 per ton, the same as Thai. The GON introduced the minimum price for rice imports to curb the widespread practice of under invoicing. The increase in tariffs and the minimum CIF cost have pushed prices up and is encouraging cross-border smuggling of the product through Nigeria's porous land borders.

SECTION IV: POST CONTACT AND FURTHER INFORMATION:

1. Agricultural Affairs Office (USDA/FAS)
American Consulate General
#2, Walter Carrington Crescent
Victoria Island, Lagos, Nigeria
Tel/Fax: 234-1-2613926. 7750830
E-mail: aglagos@fas.usda.gov
Website: <http://www.fas.usda.gov>
2. National Agency for Food & Drug Administration & Control
Plot 1057, Off Moshood Abiola Road
By Oyo Road, Area 2, Garki
Abuja, Nigeria
Tel: 234-9-2346380-3
Website: www.NAFDAC.org

3. Nigeria Customs Service
Customs Headquarters
3-7, Abidjan Street
Off Sultan Abubakar Way, Wuse Zone 3
Garki-Abuja-Nigeria
Tel. 234-9-5236394, 2534580
Fax: 234-9-5236394, 5234690